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# **CORPORATE SOCIAL RESPONSIBILITY AS A FUNDAMENTAL DISCIPLINE: OUR RESPONSE TO MAINSTREAM IT IN SMES**

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## **ABSTRACT**

The ever increasing demand of stakeholders for business transparency and responsible contribution are a clear indication of increased societal and environmental awareness. From social justice in the workplace to philanthropic activities, these growing demands can become a burden for some organisations, as new regulations are constantly being introduced to satisfy our global needs. This pressure is greater for SMEs as they have considerably fewer resources in terms of time, funds and knowledge to adapt to these changes. This situation is aggravated by the fact that a majority of SMEs are unaware of their societal and environmental impacts, thus making them more susceptible to fail to meet the demands of a highly competitive and regulated market. Institutions of Higher Education are aware of the above and have tried to introduce education in the area of Corporate Social Responsibility (CSR) in the curricula of engineering students. However, the introduction of this material has not produced the desired effect.

Therefore, it is the purpose of this research project to; increase awareness of sustainable CSR practices in SMEs by illustrating that these practices can lead to profit rather than costs, and to highlight the need to integrate CSR as a fundamental area of study in the education of engineering students. The results will be used to develop a model aimed at facilitating the implementation of CSR practices in SMEs. Additionally, teaching material will be produced with the hope that this information will be included in the curriculum of engineering students in the near future.

*Keywords: Corporate Social Responsibility (CSR), SMEs and Engineering education*

## **1 INTRODUCTION**

In recent years we have seen the introduction of *responsible initiatives* from big corporations in an attempt to satisfy societal demands such as addressing climate change. Some large corporations have successfully tackled the challenge that Corporate Social Responsibility (CSR) represents. These firms view CSR as an opportunity to reduce organisational risk and create value for their organisation. This is a clear indicator that good CSR practices can lead to profit rather than costs.

Even though information in the area of CSR is widely available, the adoption of similar strategies by SMEs has not been as successful. Evidence suggests that the majority of these enterprises are unaware of the regulations and support programmes available [1]. Most importantly they are unaware of the impact their activities have on the environment and in society. If we combine this with the fact that SMEs have considerably fewer resources in terms of time, funds and knowledge we can understand

why some SMEs refuse to adopt CSR practices. As this study is aimed at increasing awareness of CSR in European SMEs, the designation established by the European Commission in its Green Paper is adopted: CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [2].

The paradigm of *responsible business* is far from being a new ideal [3]. However, it was not until the 1980s that leading enterprises started adopting these practices [4]. Today, after almost one hundred years of exploration and knowledge in the area we still witness the occurrence of huge corporate scandals, furthermore, a single definition of CSR has not been accepted. It is understood that there is no “one size fits all” CSR methodology that will suit all types of organisations. Different companies in different sectors and regions will have different motivations to adopt a certain practice. Nevertheless, good CSR practices should have a positive impact in the overall performance of a business, the environment it operates in and its stakeholders e.g. employees, shareholders and the community. The bottom line is that mass media and globalisation are continuously growing a consciousness in society and the businesses that will succeed will be the ones that foresee and respond adequately to its increasing demands [4].

There are many SMEs that are aware of this and willingly implement CSR related practices. However, some fail to succeed in the attempt. The reason behind this is the unstructured implementation and the lack of appropriate performance tools to measure success [5]. The magnitude of this problem is accentuated if we consider that SMEs in Europe represent 99.8% of the total number of businesses and consequently a huge source of employment [6]. This highlights the need to educate engineering students in the area of sustainability to create a base for CSR knowledge.

The components of sustainability are also integral elements of CSR. CSR, however, is aimed at business settings where the reason for being is the creation of profit [7]. Institutions of Higher Education understand this and have tried to integrate CSR under the flag of sustainability in the curriculum of students. However, the adoption rate of CSR & sustainability in Universities has been slow. This happens especially in undergraduate science programmes due to lack of interdisciplinary teaching and appropriate learning activities [8]. Some universities have developed a specialised syllabus aimed at improving the awareness of CSR & sustainability in engineering students. However their attempts fall short as these programmes are frequently based in a particular discipline where sustainable courses are often optional thus, reducing the impact of a sustainable education [9].

The reasons for sustainability adoption failure in Institutions of Higher Education have been thoroughly studied and documented [9-11]. From organisational culture to the quality of prior knowledge in students the list is lengthy. This makes the incorporation of sustainability seem like a daunting task and explains why there is a lack of involvement from lecturers and other members of staff. Challenging as it may seem there are two areas; learning environment and course content which can be strongly influenced by lecturers to motivate and encourage students to learn. However, this integration is not a straightforward process. Cross disciplinary thinking is required and factors that influence the attitude towards sustainability such as individual experience knowledge and values of both the students and lecturers, need to be considered.

The importance of CSR for Institutions of Higher education relies on the belief that, in the future, prospective students will select a university based on its sustainability curriculum [7]. This creates a potential opportunity for universities to develop a distinctive image of value and consequently attract more students.

## **2 METHODOLOGY**

This study is an on going collaborative project between five partners from three European countries. The methodology used in the development of this project consists of six stages. The first stage involved a thorough literature search with the purpose of gaining a deep understanding of CSR and the previous work done in this area in SMEs and Institutions of Higher Education (See Section 1). The literature review was used to develop a series of hypothesis on CSR e.g. Can CSR be used as a less risky alternative to off shoring and internationalization? Can current methods to capture the voice of the customer be extended to include responsible stakeholder dialogue? These insights were used to develop the underlying structure of our CSR model. This model will eventually contain best practices and Key Performance Indicators.

The second stage in this research project involved an exploratory study including interviews with 50 SMEs. The aim of this phase is to develop an understanding of the factors that enable and/or constrain SMEs to adopt CSR practices and to carry out an initial assessment of their impact in the individual organisations. This is the current status of our study as the information from the interviews is currently under analysis.

From our initial findings, it was considered relevant for this paper to highlight that a majority of SMEs are eager to learn more about CSR. However, as they lack the knowledge base in terms of a structured approach and appropriate performance metrics, these practices fail to achieve the desired effect and are soon disregarded. This again highlights the need to educate in CSR.

Concurrent to these activities a survey directed at 4<sup>th</sup> and 5<sup>th</sup> year engineering students in the Department of Design Manufacture and Engineering Management (DMEM) at the University of Strathclyde was designed. The aim of this survey was to find out the current state of CSR education in the University and the perceptions of students in the area. The findings of this survey will be discussed in Section 3.

### **2.1 Future Work**

The remaining stages in our methodology are described below:

- a) *Data analysis:* The information gathered during the interviewing process will be used to create a second version of the CSR model.
- b) *Implementation of second version model:* The updated model will be validated with business cases to observe its relevance and gauge the potential impact of the model. Depending on the feedback received the model will be enhanced and a third and last version of the CSR model will be produced.
- c) *Creation of a sustainable network:* A website will be developed with the aim of assisting in the dissemination of the study. All the information gathered during the development of this project will be made available to all participating organisations.
- d) *Creation of classroom teaching and agency training material:* The material to be developed will be disseminated in a conference/workshop. The feedback received during the event will be used to improve the material. This will be the last action undertaken and will represent the culmination of the project.

## **3 CSR AS A FUNDAMENTAL DISCIPLINE**

The importance of CSR to Institutions of Higher Education is obvious. CSR is a clear opportunity to become more competitive, responsive and effective whilst developing a unique image of value. However, as discussed in previous sections the introduction of

CSR has not been as successful as desired. In Universities the use of one-off courses and electives is a good start but it is not enough. "Industry has repeatedly and clearly demanded that higher education institutions explicitly broaden the scope of undergraduate engineering education objectives" [12]. To successfully integrate CSR in the curriculum of engineering students the perspective on the subject has to change. It is critical that CSR is seen as a fundamental discipline rather than an optional area of study both by members of staff and engineering students.

In order to change the perception of CSR we need to embed CSR in the material taught and reflect its importance for businesses. Education should focus on what the students need to learn to successfully transfer this information. As such, we must answer what is it that students need to know on completion of their academic programme.

To help answer this question we approached the students through a recent survey produced in DMEM. Feedback from students is considered important as it allows us to know what they have learned and helps the University determine how the content of the programme taught can be enhanced.

In general, the education perceived by the students received a positive evaluation. The majority of the undergraduates surveyed considered that the information received on topics such as the environment, energy, sustainability, ethics and other related themes was practical. However, a large portion of the students considered that this information was lacking in depth as these topics are seen in independent modules that are not entirely connected.

In terms of CSR a large majority of students considered that their knowledge in the area was very limited. When the students were asked what information they considered should be included in the programme to make the courses more relevant, they responded: practical examples of good practice, information regarding current legislation relating to CSR and methods for implementing CSR practices in organisations. Some students understand the importance of CSR as it is a reason for business to invest in individuals. "Management guru Michael Porter emphasised the need for the right types and quality of education of future employees as one of the requirements for business to invest successfully in CSR and, thereby, become more competitive"[13]. In addition, it is widely known that the work undertaken by engineers can have a wide ranging effect in all the areas that fall under the CSR umbrella. "Because they can understand and assess the issues, they will have a unique responsibility to contribute to these debates. They must be prepared to address the ethical and moral issues of their work as well as the purely technological"[14].

The above emphasizes the potential impact of effectively integrating CSR in the curricula of engineering students, but how should CSR be incorporated to ensure that students acquire a strong knowledge base in the area?

This paper reports on a particular course in DMEM, *Product Design Engineering*, where students are educated to become knowledgeable in a broad spectrum of disciplines from concept generation through product manufacture. From this course three first year classes were identified where a solid foundation in CSR theory could be incorporated. These classes are Introduction to Design, Introduction to Manufacturing and Fundamentals of Engineering Management. It is understood that with courses competing for space in the curriculum of students the development of a new course in CSR would be inappropriate [15]. However, it is argued that schools have a duty to provide a solid foundation in CSR theory [13]. As such, an introductory lecture on CSR to develop awareness in students from the initial stages is recommended. These lectures should discuss the different definitions and points of view on CSR, and the trends and

transformations of CSR through out the times. It should be as concrete as possible and should be related to the students own engineering discipline. In addition to the theory students should be given practical examples that can be used to solve routine problems. However, this could be done in more specialised subjects such as Design Analysis, Managing People, Sales Purchasing and Marketing for Engineers, Professional Practice and Design Methods where CSR could be related to the particular subjects. The Design Methods class shows that it is possible to seamlessly integrate CSR in particular areas of the course. Some of the design methods seen in this class are Design for the Environment and Inclusive Design. These tools are closely related to CSR and are used to change the perspectives, values and attitudes towards the subject. This is achieved by adopting teaching and assessment methods that fall in line with the institutional environment and reflect the needs of industry. Real case studies and guest lecturers are used as they are considered illustrative and stimulating teaching methods. The assessment methods employed are aimed at developing an interest on CSR by motivating students to create, imagine, suppose and reflect. In other words, students are encouraged to think and reflect before they design.

#### **4 CONCLUSION**

This paper debates the paradigm of *responsible business*. It argues that CSR can be used as an opportunity to reduce organisational risk whilst creating value. It states that even though CSR is a not a new area of study the implementation of CSR by SMEs has not been as successful as desired. It is understood that SMEs represent a large majority of the business in Europe highlighting the importance of successfully integrating these practices.

This study reports on the initial findings from an ongoing collaborative project between five partners from three European countries. The main objective of this study is to develop a model that would facilitate the implementation of CSR practices in SMEs. To define our model a literature review and an exploratory research with 50 SMEs was undertaken and this is the current state of our project. This model will eventually contain best practices and Key Performance Indicators.

In addition to discussing the importance of CSR to SMEs, this paper examines its importance for Institutions of Higher Education. It is argued that in the future prospective students will chose universities based on their sustainable curriculum. In the past universities have tried to introduce CSR and sustainability in the curriculum of engineering students. However, this adoption has not produced the desired effect. The reasons behind this failure include: inadequate organisational culture, the quality of prior knowledge in students and lack of interdisciplinary research. This paper reports on the findings of a survey undertaken in the Department of Design Manufacture and Engineering Management (DMEM) at the University of Strathclyde aimed at discovering the views of engineering students in the area. The survey shows that their knowledge in the area of CSR was very limited. It is understood that the work undertaken by engineers has a wide range impact in all of the areas that fall under the CSR umbrella highlighting the importance of successfully integrating CSR in the curriculum of engineering students.

This study examines a particular course in DMEM and describes how CSR could be implemented in its syllabus. It is understood that the implementation of an additional module in CSR is inappropriate as the engineering curricula is already packed tight with courses. As such the inclusion of a lecture that provides an introduction on the subject is recommended. In addition to the theory students should be given practical examples

that can be used to solve routine problems. However, this could be done in more specialised subjects where CSR could be related to the particular subjects with the use of case studies that reflect the needs of industry.

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